SOCIAL SECURITY ADMINISTRATION

My second government job was with the Social Security Board, with a somewhat loose attachment to its various divisions and rather vague responsibilities. There was an informal agreement that I myself would carve my proper niche in the organization and thus I had considerable freedom in selecting topics for study.

The Board had the well-deserved reputation of being a perfectly clean agency—not very imaginative, but liberal and broad-minded in interpreting its programs and planning for their further expansion.

The Social Security Act of 1935 was an outstanding piece of New Deal legislation and brought several programs under a single administrative roof. Unfortunately, its program for old-age and survivors' insurance was patterned after private old-age pension insurance, as a system of compulsory individual policies, with obligatory accumulation of reserves for the remote future. With certain reservations, it could be described as a program of compulsory thrift, each individual being obliged to pay for his own insurance and participate during several decades in the accumulation of reserve funds that would reach astronomical proportions by the time the program matured.

After a careful analysis of this program, I concluded that its plan of financing was unsound and that the system should be financed on a pay-as-you-go basis with only small contigency reserves. In this way, each generation of working age would support the old people who had been economically active in the preceding generation; in their turn, people currently of working age would be supported by younger people when their time came. In other words, I thought that, instead of a system built on the principle of individual thrift, a nationwide old-age insurance program should be based on the idea of solidarity of successive generations. It must be recognized, however, that there were serious considerations for writing the original plan for old-age insurance into the law. It was a means of appeasing the right-wing opposition in Congress and forestalling the charge that the program would ultimately affect the distribution of incomes in the nation, which would have made the Act unconstitutional.

As the principal economist of the Board, I was not bound by such political considerations, and about the first thing I did was to develop projections showing how the program would operate under continuously changing conditions—rising wages and probably rising prices. These projections indicated that the program was incompatible with a sound economic and social policy. Naturally, my findings provoked objections from the actuaries of the Board. We had a heated exchange of memoranda, but, whatever the merits of my arguments, I was in-